BUDGET HIGHLIGHTS

- **DEA—Priority Targeting Initiative: +$39 million.** This proposal includes 329 positions to implement DEA's plan for addressing the Nation's illegal drug threats. This initiative will target Priority Drug Trafficking Organizations involved in the manufacture and distribution of illegal drugs, as well as those involved in the diversion of precursor chemicals used to manufacture these products.

- **Organized Crime Drug Enforcement Task Forces (OCDETF) Program.** The fiscal year 2004 Budget restructures the OCDETF program by consolidating funding within the Department of Justice. In addition, the budget includes resources for the following initiatives to strengthen these critical interagency investigations:

  - **Consolidated Priority Organization Target List (CPOT) Initiative: +$26 million.** This proposal includes 192 positions to generate and advance investigations of command and control targets linked to the Attorney General's CPOT list. The requested funds will provide agents, analysts, and Assistant U.S. Attorneys dedicated to CPOT-linked investigations.

  - **Automated Tracking Initiative: +$22 million.** This proposal will establish the automated capacity, using existing Foreign Terrorist Tracking Task Force technology, to rapidly scan, analyze, and disseminate the voluminous drug investigative information of participating OCDETF agencies. This capacity is especially important in identifying components of those organizations on the Attorney General's CPOT list.

  - **Financial and Money Laundering Initiative: +$10 million.** This enhancement includes 83 positions to expand OCDETF financial and money laundering investigations. This improvement will fund financial investigative efforts, including intelligence gathering, document exploitation, and undercover operations.

- **Department of State—Andean Counterdrug Initiative: $731 million.** The fiscal year 2004 request maintains funding to support various programs in Colombia, Bolivia, Peru, and the Andean region. This initiative includes resources for critical drug law enforcement programs, as well as other efforts associated with security in drug-producing areas, illicit crop reduction, alternative development, institution building, the administration of justice, and human rights programs. For Colombia, funding includes several broad categories to include operations and maintenance of air assets, Colombian National Police and Army Counterdrug Mobile Brigade operational support, and crop eradication programs. This request also supports humanitarian, social, economic, and alternative development programs implemented by the U.S. Agency for International Development (USAID).

- **Department of Defense—Expanded Support to Colombia: +$25 million.** This initiative adds $25 million to current funding of close to $116 million in support of counterdrug activities in Colombia. The expanded support will be used to fund various programs to conduct a unified campaign against both terrorism and drugs. These programs include counternarcotics training for Colombian ground and aviation units, riverine and coastal interdiction support activities and training, and improvements to intelligence, surveillance, and reconnaissance capabilities.

Disrupting the Market: Attacking the Economic Basis of the Drug Trade

The National Drug Control Strategy recognizes the inherent link between drug supply and drug demand, a link that is particularly visible in the behavior of the addicted drug user. Even dependent drug users are quite conscious of the price (and purity) of the drugs they consume and can adjust their use of drugs to market conditions. This should not come as a surprise: addicts must spend almost all their disposable income on illegal drugs, and a disrupted market with unreliable quality and rising prices for drugs such as cocaine and heroin does not magically enable them to earn, beg, borrow, or steal more.

Drug users respond to market forces because the drug trade itself is just that, a market—a profitable one, to be sure (though less profitable than often assumed), but nonetheless a market that faces numerous and often overlooked obstacles that may be used as pressure points. To view the drug trade as a market is to recognize both the challenges involved and the hopeful lessons of our recent experience: that the drug trade is not an unstoppable force of nature but a profit-making enterprise where costs and rewards exist in an equilibrium that can be disrupted. Every action that makes the drug trade more costly and less profitable is a step toward "breaking" the market.

Once the drug trade is seen as a type—admittedly, a special type—of business enterprise, the next step is to examine the way the business operates and locate vulnerabilities in specific market sectors and activities that can then be attacked, both abroad and here at home. Such sectors and activities include the drug trade's agricultural sources, management structure, processing and transportation systems, financing, and organizational decisionmaking. Each represents an activity that must be performed for the market to function.

Reduced to the simplest possible terms, locating market vulnerabilities means identifying the business activities in which traffickers have invested the most in time and money and received the least back in profits. Once identified, these vulnerabilities can be exploited, the efficiency of the business suffers, and the traffickers' investment is diminished or lost.

Business costs of the drug trade include those borne by any large agroindustrial enterprise (such as labor force, cultivation and processing, transportation, communication, warehousing, and wholesale and retail distribution), as well as costs that occur because the enterprise is illegal (such as the need to consolidate and launder proceeds, pay bribes, and accommodate the risks of intertrade betrayal and violence, as well as incorporating "risk premiums" that are charged by those who face possible arrest, incarceration, or death).

Disrupting the Market at Home

As a government, faced with the obvious and urgent challenges of punishing the guilty and taking drugs off the street, our focus on targeting the drug trade as a business—with a view to increasing its costs—has been episodic. We need to do a more consistent job of ratcheting up trafficker costs at a tempo that does not allow the drug trade to reestablish itself or adapt.

Domestically, the market approach is leading to a new focus on extracting the drug trade's ill-gotten gains; traffickers are, after all, in business to make money. The Department of Justice's Organized Crime Drug Enforcement Task Force (OCDETF) program has been a major force in driving these financial investigations. The OCDETF program was created in 1982 to concentrate federal resources on dismantling and disrupting major drug-trafficking organizations and their money laundering operations. The program also provides a framework for federal, state, and local law enforcement agencies to work together to target well-established and complex organizations that direct, finance, or engage in illegal narcotics trafficking and related crimes.

In the past year, in keeping with the strategy of attacking trafficker vulnerabilities such as money laundering, the Department of Justice has moved to refocus the OCDETF program and its nine member agencies on financial investigations and on multijurisdictional investigations directed at the most significant drug-trafficking organizations responsible for distributing most of the drugs in the United States.

For fiscal year 2004, the Administration proposes an increase of $72 million over the previous fiscal year's requested level for the OCDETF program. This request proposes to consolidate within the Department of Justice what had been three separate OCDETF appropriations, one each for the departments of Justice, Treasury, and Transportation, with the goal of improving the program's accountability, coordination, and focus. More important, it proposes to earmark $73 million of the OCDETF appropriation specifically for the Internal Revenue Service's Criminal Investigation Division—an increase of $7 million over the fiscal year 2003 level—to support that agency's special focus on complex money laundering investigations.

Achieving Unity of Effort

Tales of rival agencies' narcotics agents investigating and ultimately trying to arrest one another are a staple of crime novels, but such lapses in coordination are in fact remarkably rare. A much fairer and less often articulated criticism has been law enforcement agencies' lack of collaboration or across-the-board agreement on a set of trafficker targets.

In order to adopt a market disruption perspective and attack specific market segments, we need such a focus, along with a clear understanding of the scope and character of the drug market. We now have both, thanks largely to a unique collaboration between the DEA, the Federal Bureau of Investigation, the multiagency Special Operations Division, and the Department of Justice, which has, for the first time, resulted in a consolidated list of top trafficker targets. The Consolidated Priority Organization Target (CPOT) list makes unity of effort possible among those federal agencies.

The CPOT list will drive more than the activities of the agencies that produced it. The High Intensity Drug Trafficking Areas (HIDTA) program, administered by ONDCP in 28 HIDTA regions around the country, has already begun using the CPOT list as part of a priority targeting initiative piloted with fiscal year 2002 funds with a budget of $5.7 million.

The HIDTA program was created in 1990 to focus law enforcement efforts on the Nation's most serious drug trafficking threats, but reviews conducted as part of the President's fiscal year 2004 Budget found that the program had not demonstrated adequate results and that over time the initial focus of the program has been diluted. Over the past year, as evidenced by the pilot CPOT initiative, the HIDTA program has begun a shift back to that initial focus on the highest priority trafficking organizations—the wholesale distributors and command-and-control targets.

The HIDTA program has also increased its emphasis on money laundering and financial crimes investigations related to trafficking organizations, providing training for key law enforcement personnel in financial investigative techniques. In 2003, the HIDTA program will continue to increase its focus on investigations, such as those against organizations on the CPOT list, that target the top of the trafficking pyramid. This will entail continuing expansion and refinement of the program's intelligence network—an area that can pay dividends for federal as well as state and local law enforcement.

The goal of unity of effort is being pursued in other areas, including border security. The establishment of the Department of Homeland Security (DHS), by combining into one agency the separate activities and assets of agencies such as the Customs Service, Coast Guard, and Border Patrol, will improve our ability to identify and interdict suspect personnel and illegal contraband entering the United States. Effective DHS counterterrorism systems at and between our ports of entry are also critical in improving our ability to stem the flow of illegal drugs.

A New Focus on Revenue Denial

Americans spend more than $63 billion on illegal drugs—money that must be laundered to be usable by traffickers. It does little good to attack trafficking organizations and leave the proceeds of their crimes untouched. Indeed, money laundering investigations are often key to identifying such organizations in the first place. Anti-money laundering efforts are thus critical to destabilizing trafficking organizations and limiting their power. Enforcement experts divide the process of money laundering into three stages:

- Placement of the illicit funds into the financial system. In the case of paper currency paid for illegal narcotics, the need is obvious. Currency is anonymous, but it is hard to hide, takes time to move, and attracts attention.

- Layering of funds involves moving funds to hide their origin and suggest a legitimate source. Launderers can move funds between nations or financial institutions in a matter of seconds.

- Integration of funds means simply that the funds are put to use by the criminals who "earned" them, either to enjoy as fruits of the crime or to reinvest in their illegal enterprise.

The money launderer is most vulnerable during the placement stage. The strategy of the U.S. Government, both on the regulatory and enforcement sides, is therefore to attack the placement of funds into the financial system. (Valuable new authorities created under the USA PATRIOT Act will increase the government's ability to attack transactions, jurisdictions, and money laundering systems during the layering and integration phases as well.)

Money transmitters, broker-dealers, check cashers, and money order providers are particularly vulnerable to exploitation by organized drug money launderers seeking funds placement. New regulations and strengthened criminal laws provide law enforcement and regulatory agencies with new tools to stop money laundering, for example, subjecting money service businesses to requirements for registration and reporting of suspicious activities, and providing clearer criminal penalties for violations.

The departments of Justice, Treasury, and Homeland Security, in consultation with other responsible law enforcement agencies, will develop a long-term comprehensive plan to attack money laundering groups who exploit the money remission system.

Disrupting Markets Overseas

An effective, balanced drug policy requires an aggressive interdiction program to make drugs scarce, expensive, and of unreliable quality. Yet it is an article of faith among many self-styled drug policy “experts” that drug interdiction is futile, for at least two reasons: with millions of square miles of ocean (or “thousands of miles of border,” or “millions of cargo containers”), interdictors must be everywhere to be effective. Not being everywhere, it follows that transit zone interdictors from the departments of Defense and Homeland Security are consigned to seizing

FIVE ILLEGAL DRUG MARKETS

There are five principal illegal drug markets in the United States:

- More than 10,000 metric tons (mt) of domestic marijuana and more than 5,000 mt of marijuana cultivated and harvested in Mexico and Canada—marketed to more than 20 million users.
- More than 250 mt of cocaine, most of it manufactured in Colombia and shipped through Mexico and the Caribbean—marketed to more than five million users.
- More than 13 mt of heroin manufactured in Mexico, Colombia, and Asia and shipped via commercial air and maritime carriers—marketed to more than one million users.
- Between 106 and 144 mt of methamphetamine manufactured in Mexico and in the United States—marketed to 1.3 million users.
- Roughly eight mt of Ecstasy manufactured in the Netherlands and Belgium and shipped via commercial carriers—marketed to more than three million users.

a small and irrelevant portion of the flow of cocaine, to pick the drug that currently generating the most emergency room admissions.

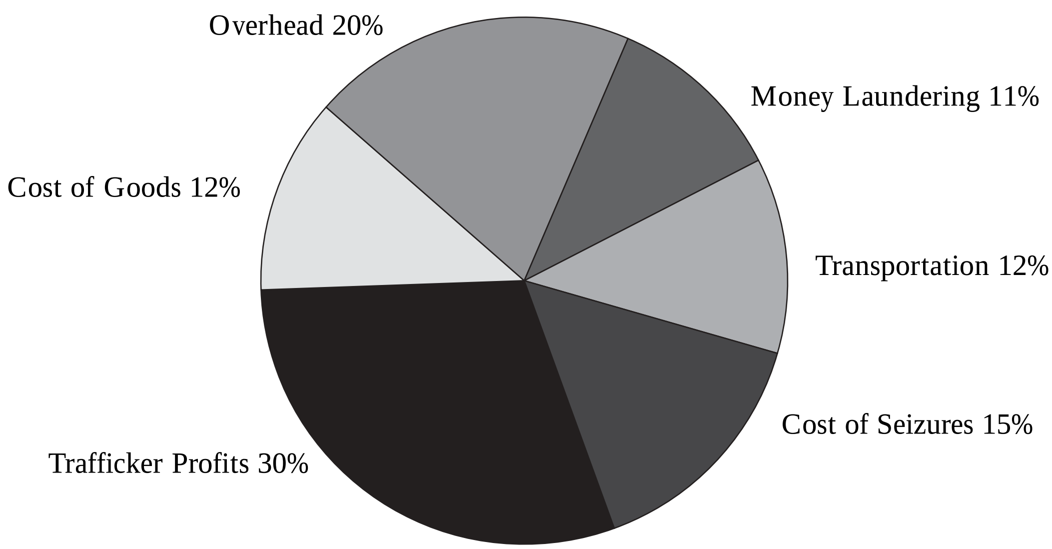
Second, the experts opine that the drug trade is so fabulously lucrative that there will "always be a ready supply" of smugglers (or "kids to deal crack on street corners" or "people willing to grow coca"), and thus seizing even 10 percent (the figure usually cited as folk wisdom) has no effect on the market.

The "experts" are in fact wrong on both counts.

First, although the drug trade is profitable, it is a misunderstanding of the market to assert that every sector and business process in that market has an unlimited capacity to shrug off losses and setbacks.

In 2001, U.S. Government and partner nations seized or otherwise interdicted more than 21 percent of the cocaine shipped to the United States, according to an interagency assessment. When added to the additional 7 percent that is seized at our borders or elsewhere in the United States, current interdiction rates are within reach of the 35 to 50 percent seizure rate that is estimated would prompt a collapse of profitability for smugglers unless they substantially raise their prices or expand their sales to non-U.S. markets. Indeed, according to an interagency assessment of the profitability of the drug trade, traffickers earn just $4,500 for each kilogram of cocaine that is safely

Figure 11: Trafficker Costs and Profits for Cocaine Sold at the U.S. Border



Note: All values are best-point estimates of industry averages. Actual individual organizations' costs can vary. At an average sale price of $15,000/kg at the U.S. border, traffickers earn $4,500/kg. These point estimates average trafficker profits and cost of seizures for two scenarios: 1) Colombian traffickers maintain ownership of the cocaine to the U.S. border, and 2) Colombian traffickers turn over ownership to Mexican counterparts on the high seas.

delivered into the United States—a kilogram that will wholesale for $15,000 (see Figure 11).

Traffickers actually face significant fixed costs for raw materials, money laundering, aircraft and boats, and business overhead such as bribes. Even assuming everything goes according to plan, Colombian groups are typically placed in the unenviable position of handing over an astonishing 40 percent of a given load of cocaine to Mexican traffickers in exchange for the Mexican groups' agreement to smuggle the remaining 60 percent across the border. (Urban ethnographers who looked into the economics of street-level crack dealers in the early 1990s found much the same thing about profitability: many of the kids who supposedly could not be bothered with earning $5 an hour at McDonald's were actually making less than minimum wage dealing crack.)

But, to press the argument, why are the critics necessarily wrong about the impossibility of successful interdiction, especially given the enormous challenge of finding small shipments hidden along extended borders or on vast oceans?

Answering this question requires a closer look at how interdiction is increasingly being focused in ways that cause damage to drug markets. Briefly, interdiction can damage the drug trade precisely because those agencies with responsibility for the interdiction mission—including the Department of Defense and elements of the Department of Homeland Security such as the Coast Guard—do not look for traffickers in millions of square miles of ocean or along thousands of miles of border. Rather, such agencies rely on intelligence to narrow the search and seek out natural chokepoints where they exist.

Interdicting the Flow in Colombia

One such chokepoint is the maritime movement of almost all Colombian cocaine through that nation's coastal waters.

More than 700 metric tons of cocaine is exported annually from South America to the United States and Europe. Roughly 500 mt departs South America in noncommercial maritime conveyances such as elongated "go-fast" boats, each carrying between 0.5 and 2.0 mt of cocaine, and fishing vessels, which typically carry multiton loads of cocaine.

The cocaine threat can thus be described, admittedly in somewhat simplified terms, as 500 maritime shipments heading north annually from the Colombian coast to Mexico and the islands of the Caribbean, in the first stage of multi-leg movements to the U.S. border. According to estimates contained in an interagency assessment of cocaine movement, the 500 shipments are divided roughly evenly between those departing Colombia's north coast (heading both to the Greater Antilles and to Central America) and the west coast (destined for Mexico). In the Pacific, larger cocaine-ferrying fishing vessels are used to consolidate loads far off the Colombian coast, to continue the movement to Mexico.

Go-fast boats are effective because they are small, easily launched from numerous estuaries and small pier locations, and difficult for interdiction forces to locate on the high seas. Colombian traffickers have a significant investment in each shipment as it departs South America—as much as $3 million per go-fast boat. That investment, moreover, is uninsured. Once the cocaine is handed off to

Mexican smugglers for the second leg of its journey, a rudimentary form of insurance takes effect in some cases, with Mexican organizations typically taking as much as 40 percent of the load while agreeing to reimburse Colombian traffickers if the drugs are lost in transport. (This arrangement has had the perverse effect of encouraging local consumption in Mexico, because organizations sell some of their product locally.) While in transit to Mexico, however, cocaine is uninsurable and is owned solely by the Colombian organization.

Attacking go-fast movements in coastal waters thus holds out the promise of rendering unprofitable or minimally profitable a key business sector. The United States will work with the Government of Colombia to direct our air and maritime interdiction resources and assets accordingly, as appropriate, while seeking to create a dedicated sensor infrastructure and establish a robust Colombian capability to interdict drug flows in their coastal waters. The seizures that result will not occur in isolation but will engender investigations into major trafficking organizations and result in better intelligence on future smuggling activities.

About 90 percent of the cocaine entering the United States originates in or passes through Colombia. In addition, the cultivation of opium poppies in Colombia has expanded from almost nothing in 1990 to roughly 6,500 hectares now, producing roughly 4.3 mt of high-purity heroin—enough to supply a sizable portion of the U.S. market. In light of this serious threat, DEA has transferred agent positions from offices in nearby countries to create a heroin task force in Colombia. The Bogota Heroin Group will work with the Colombian National Police on cases involving high-level traffickers servicing U.S. markets.

Colombia's narcotics industry fuels that country's terrorist organizations, which monopolize coca cultivation and are increasingly involved in drug production and trafficking. The Colombian Government estimates that cocaine profits fund more than half of Colombian terror-group purchases of weapons and provide key logistics funding to that nation's illegal armies. Accordingly, U.S. Government policy seeks to support the Government of Colombia in its fight against drug trafficking and terrorism. Those entwined problems are especially evident in parts of Colombia east of the Andes that are underpopulated, and lack a government presence. Most of Colombia's drug crops are grown in such areas, where the rule of law is weak and government access is limited.

In the face of this huge challenge, the past eight months have witnessed a revolution in the way Colombia perceives the link between criminal and political terrorism, drug trafficking, corruption, and weak government institutions. Rather than meekly accepting these as facts of life, Colombia's President Alvaro Uribe is pushing back, both against the drug trade and the terror groups it sustains.

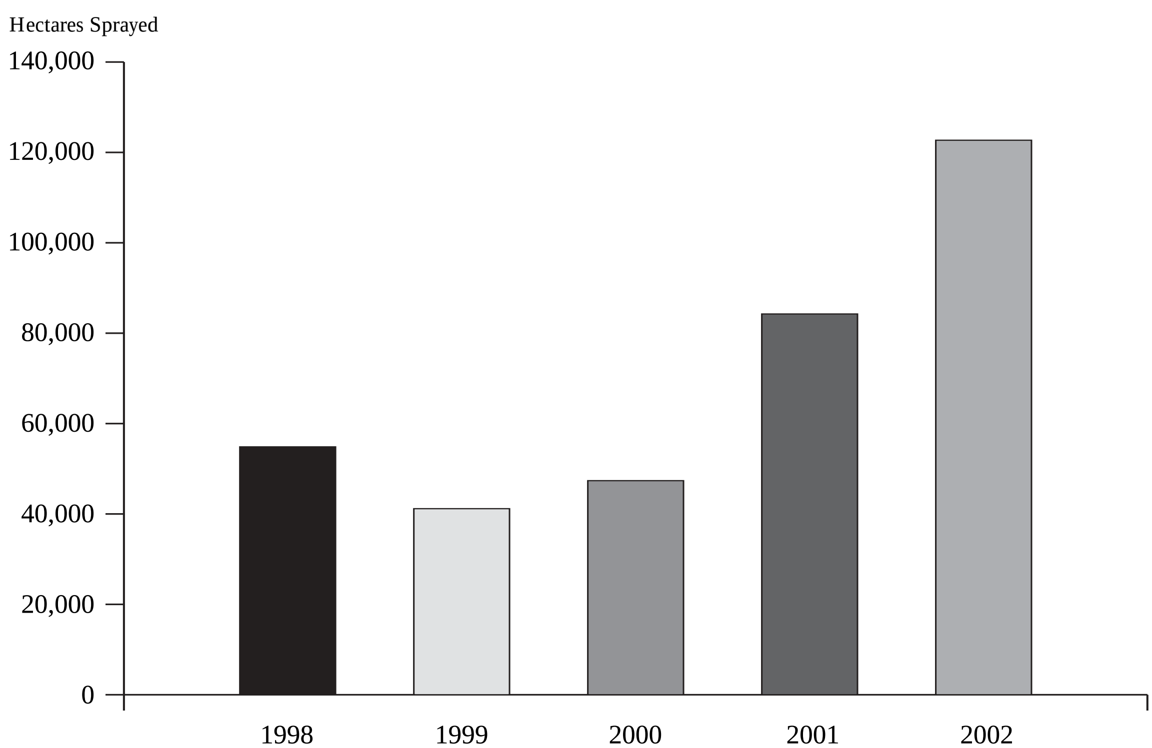
Colombia's rural population, in particular, has been terrorized by Colombia's illegal armies: the FARC, ELN, and AUC. In a single raid last May, FARC rebels incinerated 117 residents of Bojaya, including 45 children, who had taken refuge in the local church. Analysts surmise that the rebels intended to regain control over a smuggling corridor.

Regrettably, the Bojaya tragedy is not an isolated incident. Terrorist attacks killed more than 3,000 Colombians in 2001. Another 3,041 were kidnapped. The ELN, FARC, and AUC rebels were responsible for more than 2,000 of these victims, including 205 children as young as three years old. The AUC has killed two Colombia legislators in the past year, and the FARC has kidnapped five legislators, a presidential candidate, and a Catholic archbishop. The three terrorist groups have also assassinated 12 mayors, and the FARC has threatened many others, leaving them with a choice of resigning or being killed.

With the election of President Uribe, Colombia has accelerated implementation of its drug control program, eradicating record levels of coca and moving aggressively in several areas to weaken criminal and terrorist organizations, reestablish the rule of law in war-torn regions, and protect the rights and security of Colombian citizens. Significant drug control gains in Colombia will require—and President Uribe has committed to pursuing—restoration of the rule of law to areas that are currently terrorist-controlled and used to cultivate and produce illegal drugs.

With U.S. assistance, Colombia has established carefully screened, or "vetted," law enforcement task forces comprised of investigators, prosecutors, and support personnel with specialties including asset forfeiture, money laundering, and human rights. Colombian authorities and their U.S. counterparts from the DEA are also working to attack the Black Market Peso Exchange money laundering system, one of the mechanisms that enable Colombian traffickers to repatriate their drug profits.

Figure 12: An Expanding Coca Eradication Program in Colombia



Note: Estimates reflect total ground area covered. Source: U.S. Department of State

Aerial spraying is a major component of Colombia's strategy for fighting the drug trade and is the program with the single greatest potential for disrupting the production of cocaine before it enters the supply train to the United States. Spray operations have the potential to cause collapse of the cocaine industry if the spraying is intensive, effective, and persistent. Replanting coca is expensive for farmers, in terms of both labor inputs and opportunity costs (coca seedlings typically take a year to begin bearing harvestable leaf). According to estimates by the Institute for Defense Analyses, eradicating 200,000 hectares of coca would cost farmers $300 million—costs significant enough to cause growers to conclude cultivation is uneconomical.

The Government of Colombia may have achieved this rate of eradication in the coca-rich parts of Putumayo and Caqueta during parts of 2002, although repeated spraying over the next twelve months will be necessary in most areas to deter replanting. Continued U.S. support will be critical for Colombia to maintain this level of eradication.

Where eradication prompts hoped-for movements of growers out of remote planting areas, alternative development programs managed by the U.S. Agency for International Development will be there to absorb some of the disruptive effect on local economies.

U.S. assistance will focus alternative development aid in areas where projects will be economically viable and self-sustaining and where there is, or soon will be, enough government presence to ensure that the projects will be implemented for the benefit of legitimate production and democratic rule. Implementation should be fully integrated with Colombian government efforts to establish security and implement other anti-drug, economic, and social programs.

The Andean Ridge

Rising demand for cocaine in Europe and Latin America and expanded drug control in Colombia are placing increased stress on Peru and Bolivia, with farmgate prices for coca products at high levels in both countries. New administrations in both these countries face difficult challenges in reducing drug production while confronting economic weakness and political instability.

The economies of Peru and Bolivia have suffered through the sluggish global economy and the economic deterioration of traditional export markets in Brazil and Argentina. This in turn has put a strain on employment and alternative development. In some cases, traffickers are pushing legitimate governments through a combination of lawlessness and radical demands. These actions are undermining democratic institutions, making them vulnerable to increased corruption and violence—the path that Colombia faced many years ago.

In Peru, the Toledo government faces the significant challenge of rebuilding democratic institutions in an atmosphere of reduced public confidence. Coca cultivation is rebounding in regions frequented by Sendero Luminoso terrorists, while Peru has weakened its security presence in some drug cultivation regions and slowed implementation of its overall drug control effort. Peru must act with renewed decisiveness to prevent a resurgence of the volatile combination of Sendero terrorism and expanded cocaine production.

Bolivia is also in the middle of a turbulent period. In the past year, radical groups launched violent protests that have damaged the economy and challenged the government. These groups, including coca growers, indigenous activists, teachers, and urban consumers, have divergent goals and have not followed a single leader in the past, but more recently they have demonstrated an ability to work together. Opposition and minority political groups have had their legitimate issues hijacked by a vociferous pro-coca movement, and serious reformers may find themselves uncomfortably aligned with a cast of marginal political figures who believe Bolivia's destiny is to supply coca to the world.

The Sanchez de Lozada government has strenuously avoided violent confrontations but is now being pressed to grant concessions that could undo the gains made by the previous administration to substitute legal employment for coca cultivation. In 2002, Bolivian coca cultivation increased by 23 percent over 2001 levels, sufficient to produce roughly 60 mt of cocaine. The United States has been clear in its message that Bolivia must stay the course on eradication or risk losing much U.S. Government assistance and economic support.

Mexico: Building on Success

Mexico lies squarely between Andean Ridge cocaine producers and American consumers. It produces thousands of tons of marijuana, more than seven mt of heroin, and an unknown quantity of methamphetamine yearly. Here the situation is both a great challenge and a great opportunity, offering more hope than at any time in many years. On entering office, President Vicente Fox recognized that his vision for a prosperous Mexico had no place for institutionalized drug cartels and the corruption and lawlessness they foster. He is taking serious action against them, targeting the murderous Arellano Felix Organization, among others. He strengthened law enforcement cooperation with the United States and began the process of reforming dysfunctional and sometimes corrupt institutions.

Such bold action comes at a price. In February 2001, in an incident credited to the drug trade, masked men armed with machine guns herded 15 men and boys into the back of a truck and killed 12. In November of the same year, two Mexican federal judges and the wife of another judge were cut down by AK-47 fire from a passing vehicle; one of the judges had reportedly angered traffickers with a ruling. (President Fox described the latter attack as "a crime against the state as a whole.") More recently, a counterdrug police commander was boxed in on a highway and shot to death, a hit popularly attributed to drug traffickers. Despite all this, Mexican resolve to end international drug trafficking in their territory remains strong.

Since President Fox assumed office in December 2000, 14 major traffickers have been apprehended, and almost 300 of their immediate subordinates have been taken off the streets. Cooperative law enforcement targeting the Tijuana-based Arellano-Felix Organization—responsible for smuggling over one-third of the cocaine consumed in the United States—culminated last March with the arrest of Benjamin Arellano Felix (shortly after the killing of his brother, Ramon Arellano Felix). A month later, the Gulf Cartel's second in command was arrested. The leader of a Juarez-based gang that often coordinated shipments with the Gulf Cartel was arrested last May. In September, Mexican authorities placed in custody the head of a gang that controlled Mexico City's drug trade.

Key Fox Administration steps toward institutional reform have included compartmentalizing Mexico's anti-organized crime unit to reduce leaks and ensuring that all new members are vetted with polygraph tests and psychological evaluations. A new Agencia Federal de Investigaciones was established by Attorney General Rafael Macedo de la Concha, and Mexico's *National Drug Control Program* was published in November 2002. Finally, the Fox Administration has been unafraid to go after corrupt officials in government and in the military, as evidenced by the sentencing in November 2002 of two general officers accused of aiding the drug trade, and the arrest in October 2002 of two dozen individuals charged with leaking information on the drug control activities of the army, federal police, and the Attorney General.

Other positive signs include a steady stream of internecine trafficker killings, as smugglers vie for market control and command of trafficking routes. Major challenges remain, however, including reducing the backlog of extradition requests from the United States. Meaningfully disrupting the flow of drugs to the United States will also require sustained progress toward strengthening law enforcement and ending impunity to the rule of law.

The United States will continue to support Mexico's drug control efforts through a combination of technical and material assistance that focuses on training and operational support for organizational attack and arrests, disruption of money laundering activities, cocaine and marijuana interdiction initiatives, and enhanced and expanded aid for marijuana and opium poppy eradication.

Afghanistan: Rebuilding Drug Control Capabilities

The state of internal disruption immediately following the fall of the Taliban has brought with it renewed poppy cultivation and a partial rebounding of opium production. Although production levels remain below those of the boom years of 1996–2000, recent increases have returned to Afghanistan the dubious distinction of world's largest opiate producer, with 2002 production estimated to be more than twice that of Burma, the world's other major opium producer (see Figure 13).

For post-Taliban Afghanistan, the stakes could scarcely be higher. By funding local warlords, the Afghan drug trade contributes to local political instability. It also threatens governments worldwide through the financial assistance that drug profits can provide to terrorist organizations such as al Qaeda. For these reasons, the United States strongly supports multilateral efforts to reduce the illegal opium and heroin trade that is returning to Afghanistan.

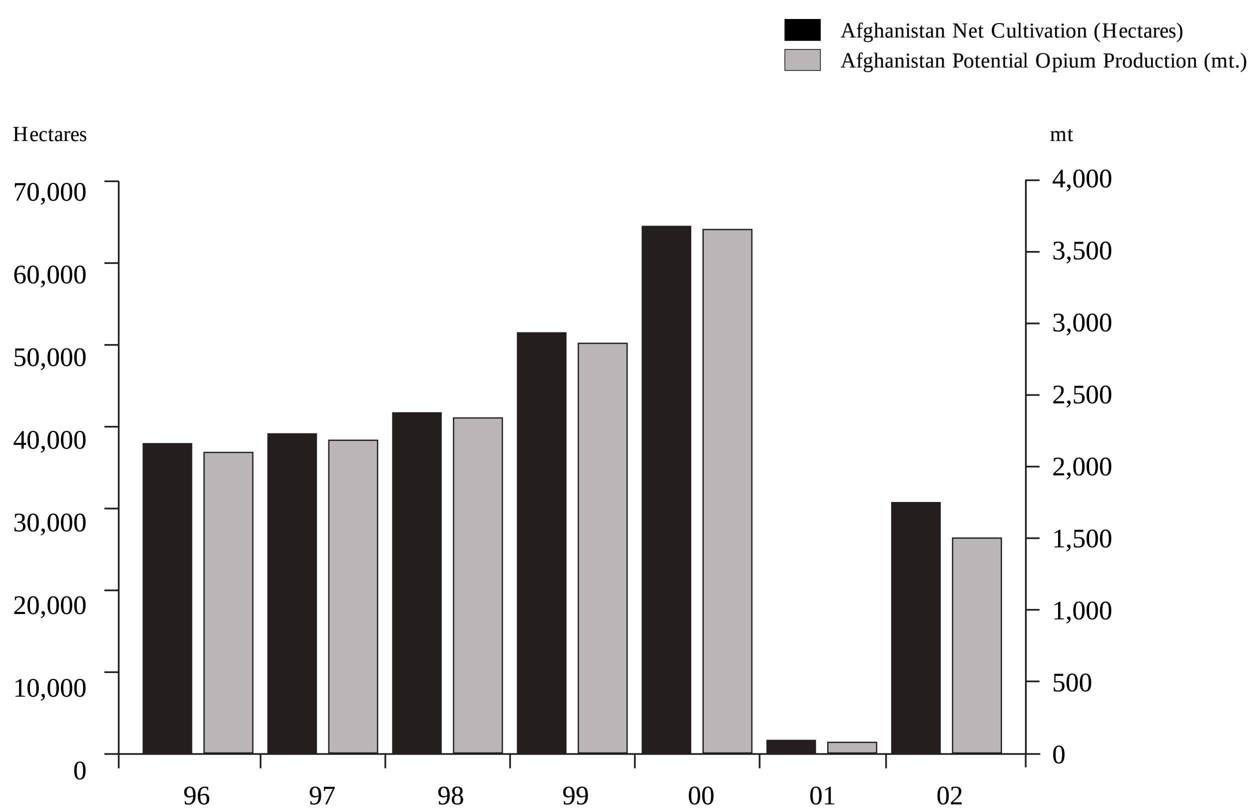
These multinational efforts include as partner nations members of the G-8, particularly the United Kingdom, which is the G-8 lead nation for counternarcotics programs in Afghanistan. The aim of our multilateral efforts is to diminish the destabilizing influence of illegal drugs in Afghanistan and break the links between Afghanistan's drug trade and its terrorist organizations. We intend to achieve these objectives through long-term initiatives that will disrupt Afghanistan's opium trade and provide alternative livelihoods and economic opportunities, a real and effective rule of law, and an environment favorable for an effective representative central government.

The strategy has two key elements. First, it seeks to disrupt the activities of the most significant drug traffickers through interdiction and law enforcement. Through activities such as DEA's Operation Containment, the United States will bolster the counternarcotics capabilities of the countries bordering Afghanistan to choke off the flow of drugs, precursor chemicals, and related supplies into and out of that nation. Second, the strategy seeks to cut opium production through alternative livelihood initiatives for farmers, coupled with comprehensive eradication efforts.

Consistent with this international effort, the United States will support the establishment of a drug policy agency and an anti-drug law enforcement agency and will work to strengthen Afghanistan's judicial institutions to enable the expansion of the rule of law. Afghan military and law enforcement personnel will be trained and equipped to perform the border and regional security functions that are vital to extending government control to areas without the rule of law and permeated by the illegal drug trade. Concurrently, near-term efforts will be started to eliminate drug-related corruption from the central and regional governments and the military.

We will collaborate with the international community and international aid organizations

Figure 13: Afghanistan Net Poppy Cultivation and Potential Opium Production



to create opportunities for legitimate economic livelihoods for Afghan farmers and laborers through initiatives that provide micro-credit alternatives and subsistence loans, legal crop substitution options, and cash-for-work programs for migrant workers. Where possible, programs will be focused on projects to redevelop the education, health, public safety, social services, telecommunications, and transportation infrastructure of Afghanistan.

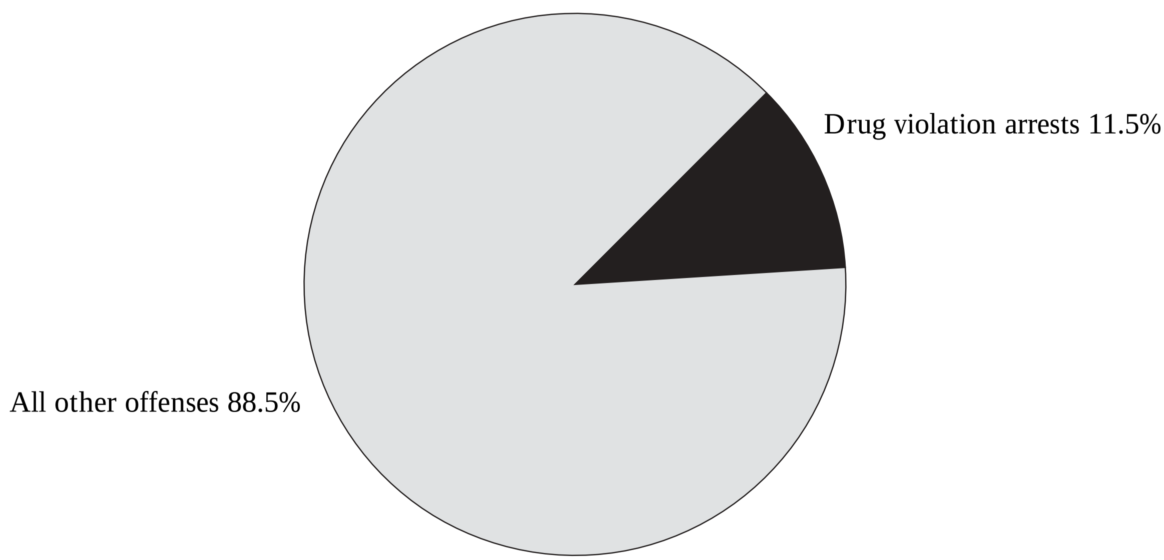
To be successful in Afghanistan, the international community will have to provide a long-term commitment to both the counternarcotics efforts and the broader challenge of nation building. These activities all involve multilateral international efforts, in which the United States is one of many participants.

Developments in Western Europe

The market for illegal drugs is international in scope—the world trade in cocaine now includes significant satellite markets in Europe. Consumption of Asian-produced heroin is also widespread throughout European Union nations. Any market-based understanding of the drug trade must account for the operation of these markets, which, if left unfettered, have the capacity to buffer U.S.-led efforts to disrupt the drug trade in this hemisphere.

The United States is thus watching closely as the debate in several European countries

Figure 14: Drug Violation Arrests Accounted for 11% of All Arrests in 2001



Source: Uniform Crime Reports

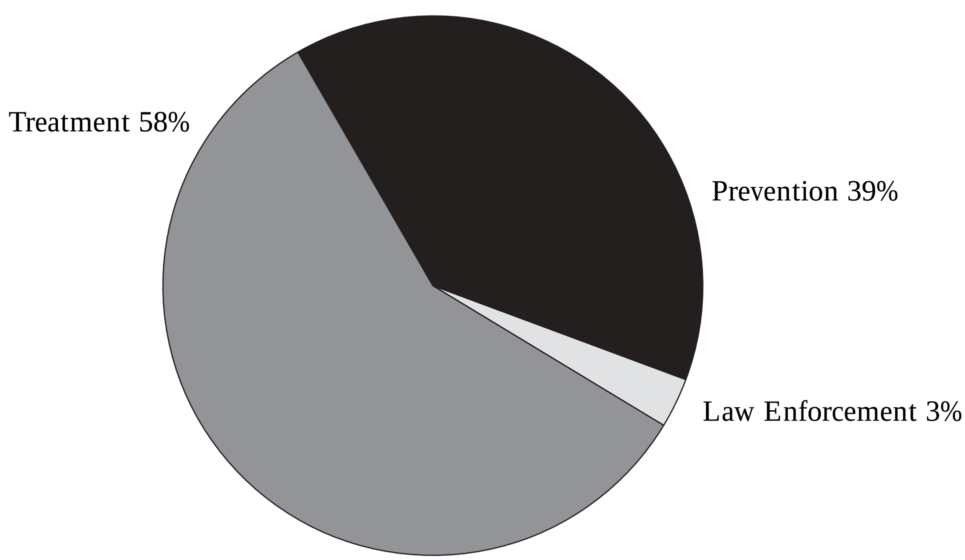
increasingly frames the drug issue as a public health rather than a law enforcement problem. As discussed in detail earlier, a closer look at the drug problem reveals the difficulty of disentangling the two. The fact is, some nations may face an increase in both public health and law enforcement difficulties as a consequence of policies being adopted.

Decriminalization policies are being promoted as precisely what they are not—a public health response to the drug problem. These "tolerant" approaches are contrasted with the supposedly more "punitive" drug policy in the United States. As a recent media report put it, "The trend in Western Europe is to decriminalize all drugs, including heroin and cocaine, and treat drug use as a health problem rather than a crime."

There are two ironies in this characterization. First is the notion that U.S. policy is driven solely by the desire to punish, when, in fact, drug arrests account for a small fraction of total arrests (see Figure 14) and U.S. prevention and treatment programs are the most developed and best funded in the world (President Bush has pledged to increase the drug treatment budget by $1.6 billion over five years.) U.S. medical research on treatment and prevention, led by NIDA, is unsurpassed and heavily outweighs the amounts spent on enforcement- and interdiction-related research (see Figure 15).

The second irony is the posture that such "harm reduction" approaches represent a genuine public health approach. No policy can seriously be considered in the public good if it advances

Figure 15: Federal Research & Development Spending for Treatment and Prevention (FY 2004 Request)



Total Dollars = $1,059 million

the contagion of drug use. Yet that is precisely the effect of harm reduction actions such as marijuana decriminalization: as the drug becomes more available, acceptable, and cheap, it draws in greater numbers of vulnerable youth.

The United States will continue to engage this issue in various multilateral forums, including the U.S.-E.U. Demand Reduction Seminar, which has led to a commitment to exchange ideas and experiences in combating drug use and drug dependence. Other important multilateral fora include the European Monitoring Center for Drugs and Drug Addiction.